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March 13, 2003

Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

RE: Ex Parte Filing
MB Docket No. 02-277

Dear Ms. Dortch:

Enclosed for inclusion in the record of the above-captioned proceeding, please find a copy of the Critique prepared by Bruce M. Owen, Michael G. Baumann and Kent W. Mikkelsen of Economists Incorporated in response to the study entitled "Does Ownership Matter in Local Television News: A Five-year Study of Ownership and Quality" ("Study"), which the Project for Excellence in Journalism ("Project") submitted to the Commission on February 26, 2003. The Study purports to show that television stations owned by smaller groups tend to produce higher quality local newscasts than stations owned by larger groups. The Critique points out, however, that the Study suffers from a number of fatal flaws that render its findings wholly unreliable. Consequently, the Critique concludes that the Study is *useless as a basis for policy making.*

Most alarmingly, as the Critique demonstrates, *none of the Study's principal empirical findings is statistically significant.* In other words, according to widely-accepted scientific standards, there is an unacceptably large risk that the Study's alleged findings are attributable to random noise in the data. The Study merely reports the differences in percentages of newscasts that received a particular grade in its subjective analysis and implies that these differences are meaningful. Yet the Study failed to conduct any statistical testing on its results. As the Critique

explains, any determination as to whether the differences found in the Study are in fact meaningful must be based on scientific analysis, not the intuition of the Study's authors.

Unfortunately, the Project has not made the data underlying the Study available for analysis and review, and its director advised Economists Incorporated that the Project does not intend to do so within the time frame of the FCC's current rulemaking proceeding. The failure to release this data further undermines the Study's already questionable credibility. Nonetheless, even with access only to the limited information available at the Project's Web site, Economists Incorporated conducted tests to determine whether the Study's reported findings regarding news quality bear any statistically significant relationship to the type of ownership of a particular station. Ultimately, the Critique determined that the differences in quality reported by the Study *were not large enough to conclude that the probability of a newscast getting a particular grade was dependent on the ownership group that aired the newscast.*

Aside from the lack of statistical validity, the Critique demonstrates that the Study suffers from several additional methodological flaws. For instance:

- *The Study relies on subjective measures of newscast quality.* Even assuming that the content analysis were properly conducted, the values and weights assigned to each factor are inherently subjective and arbitrary. A different but equally distinguished panel of journalists might compile a different set of quality criteria, but the Study makes no attempt to demonstrate that its findings would remain the same.

- *The Study does not account for other factors affecting news quality.* While it acknowledges that factors besides ownership type can affect news quality, the Study does not conduct an analysis of the data holdings these factors constant. The absence of a multivariate approach, such as a multiple regression analysis, means the Study's findings may be meaningless. In fact, group ownership categories may be acting as proxies for other factors. For example, stations in larger markets may have a different approach to producing newscasts than stations in smaller markets, since they have to present stories that affect broader communities. The Study's findings could well be the result of geographic differences, rather than differences based on the behavior of certain types of owners.

- Similarly, the Study finds that certain group-owned TV stations have higher quality newscasts in one day part while other group-owned stations have higher quality newscasts in another. Yet the Study makes no attempt to explain why the effect of ownership should be different at different times of day. As the Critique points out, it "is difficult to imagine a coherent theory of ownership effects that would predict a large systematic difference in the behavior of group owners according to time of day."

- *The Study contains statistical infirmities.* The Study reports on page 1 that it analyzed 172 stations and more than 23,000 stories over five years. The appendix, however, states that the actual number of stations studied totaled 154. In fact, the Study classifies 172 newscasts and includes multiple newscasts for certain stations. It is not valid to use categorizations of newscast quality (in which some stations are counted more than once) to draw conclusions about stations.

Ultimately, the Study acknowledges that ownership type makes little difference in the range of topics that a station covers in its newscasts, and that there is "striking uniformity" across the country in what local television stations define as news. Thus, while the Study's conclusions are centered on the *quality* of local newscasts, the findings imply that ownership type does not affect the *content diversity* of the news. The quality of a newscast, based on the Study's subjective measurements, is therefore wholly irrelevant to the Commission's goals of competition, diversity and localism.

Furthermore, even the Study recognizes that news ratings are growing more rapidly at larger group-owned stations. In other words, viewers – whose welfare the Commission should seek to promote – apparently favor the newscasts of larger group stations and not the putatively higher "quality" of smaller group stations. Regardless of the merits of the judgments underlying the Study, the Commission should be wary of making policy decisions based on criteria espoused by any particular group of journalists, no matter how distinguished. Moreover, even within the Study's group of journalists, there was disagreement about the use of the data and two members of the Project's design team have resigned since the Study was released.

Finally, any effort by the FCC to utilize its regulatory powers to favor one type of content over another would be constitutionally suspect. Indeed, courts have made clear "that Government regulation over the content of broadcast programming must be narrow, and that broadcast licensees must retain abundant discretion over programming choices." *See Motion Picture Ass'n of America v. FCC*, 309 F.3d 796, 805 (2002) (citing *Turner Broadcasting System, Inc. v. FCC*, 512 U.S. 622, 651 (1994)). Thus, the Supreme Court has emphasized that it will apply "the most exacting scrutiny to regulations that suppress, disadvantage, or impose differential burdens upon speech because of its content." (*See Turner*, 512 U.S. at 642.)

If you have any questions regarding this submission, please contact the undersigned.

Respectfully submitted,

John C. Quale

Enclosure

The Project for Excellence in Journalism's

PEJ Study of Ownership and Quality of Newscasts: A Critique

by

Bruce M. Owen, Michael G. Baumann and Kent W Mikkelsen*

March 13, 2003

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* Owen is the Gordon Cain senior fellow in the Stanford University Institute for Economic Policy Research and a special consultant to Economists Incorporated; Baumann and Mikkelsen are Vice Presidents, Economists Incorporated.

ECONOMISTS INCORPORATED

SUMMARY

The Project for Excellence in Journalism ("Project") recently released a study ("PEJ Study") purporting to show that ownership type affects newscast characteristics, ratings and quality. The PEJ Study concludes:[1]

> [O]verall the data strongly suggest regulatory changes that encourage heavy concentration of ownership in local television by a few large corporations will erode the quality of news Americans receive. [PEJ Study at 1]

Among its findings, the PEJ Study claims that smaller station groups produce higher quality newscasts than larger groups, and that network-affiliated stations produce higher quality newscasts than network owned and operated (O&O) stations. The PEJ Study warns against relaxing the ownership rules for fear of further erosion in the quality of newscasts.

We have been asked by Fox, NBC, Telemundo and Viacom to review the PEJ Study's data, methods and findings. This task is hindered because the Project has not made its data available for review and analysis, and the Project director, Tom Rosenstiel, told EI that the Project does not intend to do so within the time frame of the FCC's current rulemaking proceeding. Even without that data, our review raises very grave questions about the validity of the PEJ Study and compels the conclusion that the PEJ Study is not a sound basis for policy making.

- **Most alarming is the fact that the PEJ Study does not demonstrate that any of its principal empirical findings are statistically significant. In fact, statistical tests, run on the limited data provided, find that none of the principal findings is statistically significant.** This means that according to

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[1] Project for Excellence in Journalism, "Does Ownership Matter in Local Television News: A Five-Year PEJ Study of Ownership and Quality," February 17, 2003. ("PEJ Study") The Project is a research institute affiliated with the Columbia University Graduate School of Journalism. The PEJ Study was executed in collaboration with Princeton Survey Research Associates and was funded by the Pew Charitable Trusts.

widely-accepted scientific standards there is an unacceptably large risk that the findings are attributable simply to random noise in the data.

Even if this fatal problem were not present, the PEJ Study would not be reliable as a basis for policy making for other reasons, for the following reasons:

- The PEJ Study acknowledges that many factors affect news quality, but it neither identifies these factors nor holds them constant when comparing news quality among groups of stations. Without holding other factors constant, the PEJ Study's principal findings would not be statistically reliable even if its simple results showed statistical significance.

- The PEJ Study finds that certain group-owned TV stations have higher quality newscasts in one day part while other group-owned stations have higher quality newscasts in another, but makes no attempt to explain why the effect of ownership should be different at different times of day. It simply lumps the two results together.

- The PEJ Study uses subjective measures of news quality and subjective weights for each measure. There is no evidence that other, equally valid subjective measures or weights would produce similar results.

- The PEJ Study focuses on newscast quality, not on the quantity of news or on diversity. In fact, the PEJ Study reports an inverse relationship between the Project's standards for journalistic performance and viewers' preferences as reflected in audience ratings. The FCC should not adopt regulations to enforce the subjective professional standards of a limited subset of the journalism community.

ANALYSIS

The PEJ Study relies on "grades" awarded to newscasts using a method called "content analysis." (PEJ Study at 2) The grades are awarded to newscasts based on raters' evaluations of the content of the newscasts using subjective criteria established by a committee, using weights also assigned to each criterion by that committee and by researchers.

The PEJ Study's major results are not statistically significant

Whenever results are presented that show differences between two groups based on sampling techniques, one must ask the question: Is the difference statistically significant, or could it have occurred as a result of random variation? The PEJ Study refers to significance and random occurrences, but does not report any tests of significance. In fact, as demonstrated below, standard statistical tests cannot reject the hypothesis that there is no difference among the station groups.

The PEJ Study reports,

> Smaller station groups overall tended to produce higher quality newscasts than stations owned by larger companies—by a significant margin. Network Affiliated stations tended to produce higher quality newscasts than network owned and operated stations—also by a large margin. [PEJ Study at 1]

The PEJ Study goes on to state, "Above all, ownership matters. The statistical margins here are too great to be dismissed as random." (PEJ Study at 5)

Despite these claims, the PEJ Study contains no indication that any statistical testing was done or any evidence that the differences among the various station groups are statistically significant. The PEJ Study merely reports the differences in the percentage of newscasts that receive a particular grade across selected ownership groups and implies that these differences are meaningful.

A simple example can illustrate the importance of statistical testing. Suppose that in a controlled experiment 51 patients out of 500 taking a drug show improvement while only 50 patients out of 500 taking a placebo show improvement. The group taking the drug shows a higher average improvement rate than the group taking a placebo, but the difference is so small that it could have occurred through random noise rather than through the efficacy of the drug. How big a difference between the two outcomes is "enough" to establish that the drug is effective is not a matter of intuition. It requires scientific analysis based on the statistical properties of the data.

Although the raw data underlying the PEJ Study are not available, tests using the limited information ("Topline Data") available at the Project's website find that not a single one of the PEJ Study's principal empirical claims is statistically significant. The PEJ Study's survey results are presented in several tables using categories based on ownership type and newscast grade. These tables report what percentage of a particular ownership group's newscasts receives a particular grade. To construct contingency tables—a standard method used to describe the number of observations falling in each of several categories defined by two characteristics—the percentage values in each category need to be replaced with the number of newscasts in each category. As it happens, the PEJ Study's Topline Data provide what appears to be the number of newscasts in each group, making it possible to translate the percentages back to actual counts.[2]

The most common method of analyzing contingency tables statistically is to perform a Pearson χ^2 (chi-square) test for independence.[3] This tests the null hypothesis that the row

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2 Without access to the raw data, one cannot be certain that the Topline Data are being interpreted correctly. As an indication of potential problems, we note that for several tables it is impossible to allocate the total number of newscasts in a group across grades with an integer value of newscasts for each grade that yields the reported percentages. Absent access to the underlying raw data we are unable to explain this anomaly, which may be due to errors in the data, rounding, or inadequate explanation of the derivation of the findings summarized in the Topline Data.

3 See Stempel and Westley, *Research Methods in Mass Communications*, Chapter 8, for one discussion of the use of χ^2 and other statistical methods in content analysis.

characteristic (Grade) and the column characteristic (Group) are independent.[4] In other words, the null hypothesis is that the probability a given newscast receives a particular grade does not depend on which ownership group aired the newscast. The test for independence compares observed counts and expected counts. The expected counts are calculated by assuming the null hypothesis is true.[5] The test is designed to convert the differences (or deviations) between the observed and expected counts into the probability of their occurring by chance, taking into account both the size of the sample and the number of variables (degrees of freedom).

Using the information provided in the Topline Data, a χ^2 test for independence was conducted on five of the summary tables presented in the Project PEJ Study—Size of Corporate Owner, Local Ownership, Network Ownership, Cross-Ownership, and Public/Private Ownership. In every case the null hypothesis could not be rejected at the usual levels of statistical significance.[6] That is, in all five cases, the differences in percentages reported in the tables were not large enough to conclude that the probability of a newscast getting a particular grade was dependent on the ownership group that aired the newscast.

Hence, while the PEJ Study highlights the numerical differences presented in the tables and concludes that quality is tied to particular ownership characteristics, these differences

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4 The null hypothesis for a statistical test is the benchmark or standard that the test uses for calculating the probability of observing a result at least as extreme as the one that occurs in the data at hand.

5 The χ^2 test statistic is basically the sum of the squares of the differences between the observed and expected counts, with each squared difference divided by the corresponding expected count.

6 In a statistical hypothesis test, the P value is the probability of observing a test statistic at least as extreme as the value actually observed, assuming that the null hypothesis is true. This probability is then compared to the pre-selected, critical significance level. A typical critical significance level is 5 percent. If the P value is smaller than the significance level, the null hypothesis is rejected; otherwise the null hypothesis is not rejected. The P values for the five χ^2 tests for independence are—Size of Corporate Owner, 0.59; Local Ownership, 0.97; Network Ownership, 0.16; Cross-Ownership, 0.69; and Public/Private Ownership, 0.67. All of these test statistics are larger than the critical value of 0.05, and therefore the null hypothesis is not rejected. For some of the tables, the small number of expected observations in some cells may make a distribution other than χ^2 more appropriate. Tests using these alternative distributions yield similar results, and in no case could the null hypothesis be rejected.

are not statistically significant. Contrary to the claims made in the PEJ Study, the statistical margins are not large enough to dismiss the hypothesis that they occurred at random. Therefore, the Study's principal conclusions are invalid.

The PEJ Study does not account for other factors affecting newscast quality

The PEJ Study acknowledges that factors besides group ownership affect news quality, but in conducting its analysis it does not hold these other factors constant. The absence of a multivariate approach, such as multiple regression analysis, means that the PEJ Study's results may be meaningless. For instance, group ownership categories may be acting as accidental proxies for other factors. To illustrate, if there is reason to believe market size could affect news quality as defined and measured by the PEJ Study, differences between groups of stations can be confidently studied only when market size is held constant. The PEJ Study failed to do this. Among other factors not "held constant" or taken into account by the study are audience demographics, the supply of newsworthy events, variations in costs of news production across cities or station groups, and day part. Because relevant factors are left out of the analysis, one could not reliably attribute the supposed differences in newscast quality to differences in station ownership even if the χ^2 tests were to show statistical significance.

Not surprisingly, therefore, the PEJ Study can offer no explanation for such anomalous results as the large differences it reports between early evening news programs and late evening news programs. It is difficult to imagine a coherent theory of ownership effects that would predict a large systematic difference in the behavior of group owners according to time of day.

It is not difficult to understand how the differences in the results for the two day parts may have biased the PEJ Study's findings. The large-group owned stations are the best performers in the early news time period. It is only in the late news time period that the small-group owned stations prevail. Instead of grading broadcasts in all news time periods, the Study selects only the highest-rated news time period in each market. There is no *a priori* basis for this selection criterion. Given some evidence that stations in the

two groups perform differently in different time periods, excluding some time periods might affect the results. Compounding this arbitrary choice, for stations carrying newscasts longer than one half hour the PEJ Study uses only one half-hour segment. But there is no evidence that a single half-hour segment of a longer newscast is "representative" of the newscast as a whole for purposes of comparison with shorter newscasts rated in their entirety. Nor, for that matter, is there any basis for selecting just two of the day parts in which news is aired.

More generally, the PEJ Study consists of "measurement without theory." The PEJ Study offers no formal or informal theory of why or how ownership should affect news quality. For example, the PEJ Study does not link news quality with competition. Thus, the results reported do not stand as a test of the hypothesis that ownership "causes" any particular change in news quality.

The PEJ Study has other statistical infirmities

The PEJ Study reports at page 1 that 172 stations and over 23,000 stories were analyzed over a five-year period. In the Methodology appendix, however, the PEJ Study states, "the actual number of stations studied totaled 154." (PEJ Study at 20) Apparently, 172 different newscasts, not 172 different stations, were studied.

> To study ownership, we eliminated duplicated broadcasts, using only the most recent year's data. [fn. If the same station was studied more than once but at different newscast timeslots, both were included in this study of ownership.] This resulted in a sample of 172 different newscasts. [PEJ Study at 3]

Therefore, while the percentages reported in the various tables of the PEJ Study are presented as percentages of stations, it is not clear if they are percentages of stations or percentages of newscasts. (PEJ Study at 3) If the results presented are percentages of newscasts, to draw conclusions about stations, as the PEJ Study does, further invalidates the Study.

The PEJ Study relies on subjective measures of newscast quality

The content analysis, assuming it was done properly, relies on scoring values that were developed by a committee to reflect "journalistic values."[7] These values, and weights assigned to each factor, are inherently subjective and arbitrary. The judgment of a committee, however distinguished, as to what factors constitute good journalism and what weight should be placed on each factor is not likely to be exactly the same as that of other, equally distinguished, committees.[8] The PEJ Study makes no attempt to demonstrate that its findings (assuming they were statistically significant) are invariant with respect to the composition of such committees. This greatly undermines the policy significance of the PEJ Study because a completely contrary result might be produced based on the factors and weights determined by a different committee.

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7 According to an Appendix to the PEJ Study, "The criteria for judging quality in local TV news were developed by a design team of local TV news professionals in 1997. The team consisted of:
- John Cardenas, news director, WBNS, Columbus, Ohio.
- John Corporon, Board of Governors, Overseas Press Club.
- Randy Covington, former news director, WIS, Columbia, S. C.
- Carl Gottlieb, managing editor, Sinclair Broadcast Group, Hunt Valley, Md.
- Marty Haag, former executive vice president, A.H. Belo.
- Alice Main, former executive producer, WLS, Chicago.
- Gordon Peterson, principal anchor, WUSA, Washington, D.C.
- Jose Rios, vice president of news, KTTV, Los Angeles.
- Dan Rosenheim, news director, KPIX, San Francisco.
- Kathy Williams, news director, KRIV, Houston.
- Gary Wordlaw, general manager, KSTW, Tacoma."

According to *Television Week*, some members of this team have recently resigned. See Michele Greppi, "Study Raises Hackles: Ownership Report Evokes Anger from Participants," *Television Week* (March 3, 2003) at 4.

8 The weights given to each indicator of quality and the methodology used to grade newscasts are presented on pages 20-21 of the PEJ Study.

The PEJ Study is useless as a basis for policy making

The PEJ Study (at 1) finds that ownership type made little difference in the range of topics or people a station covered. The PEJ Study found "striking uniformity" across the country in what local television stations define as news. This implies that ownership does not affect the *content diversity* of the news. Yet, the PEJ Study's policy conclusion is that regulatory changes that encourage concentration of ownership in local television in a few large corporations will "further" erode the *quality* of the news. Hence the PEJ Study is concerned with the Project's definition of what makes a quality newscast, a topic not connected in any obvious way with competition, diversity or localism, the Commission's policy goals in this proceeding.

The scoring and weights used in the PEJ Study are explicitly intended to reflect ideals for broadcast journalism. Whatever the merits of these ideals, the FCC is not in business to enforce the professional standards of the journalism community. There is no connection between this scoring system and consumer demand. In fact, the PEJ Study finds that newscast ratings (a measure of audience size and hence output) are increasing for stations that are part of a large group and for O&O stations. (PEJ Study at 15) Thus, the PEJ Study finds an inverse relationship between its own standards for journalistic performance and viewers' preferences. Not surprisingly, viewers and journalists don't always value the same things in the same ways.[9]

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[9] The PEJ Study asserts:

> The research also clearly finds that late newscasts generally are losing more viewers than early newscasts, and the lower quality of these late newscasts may certainly be an important factor. [PEJ Study at 14]

This statement is factually incorrect. The rate of audience erosion for early newscasts in the last five years is actually about the same as that for late newscasts. Household ratings for early news (5:00-7:00 p.m.), averaging November and May levels, declined from 8.2 in 1997 to 6.7 in 2002, a decrease of 18 percent. The same figures for late news (11:00-11:30 p.m.) declined from 9.7 to 8.0, a decrease of 17 percent. If one uses person 2+ ratings, the corresponding figures are 4.4 and 3.7 for early news, a decrease of 16 percent, and 5.3 and 4.35 for late news, a decrease of 18 percent. In addition, of course, the reduction in broadcast news audience is surely attributable chiefly to dramatic changes in the competitive environment, such as the plethora of new competitors in the television market and, more specifically, the addition of new, 24-hour news channels on cable.

Even at face value (that is, ignoring the fact that its findings are statistically equivalent to random noise), the PEJ Study has no useful policy implications for media ownership regulation.